



Co-operatives Act 1996

Issuing bonus shares (trading co-operatives only)

Introduction

The Co-operatives Act 1996 provides for bonus shares to be issued in two ways; from revaluation or sale of an asset, and from distribution of surplus.

When can bonus shares be issued? (s.156)

In addition to section 273, the rules of a trading co-operative may authorise the issue of bonus shares to members of the co-operative if the assets of the co-operative-

- (a) have been sold at a profit; or
- (b) have been re-valued at a greater value than that disclosed prior to the revaluation in the books of the co-operative.

This section does not apply if the assets were acquired for resale at a profit.

Restrictions on bonus shares (s.157)

Bonus shares under section 156 may be issued in accordance with the rules of the co-operative, subject to the following restrictions-

- (a) each issue must have been approved by a special resolution of the co-operative;
- (b) they are to be issued as fully paid up shares with no payment required to be made by a member of the co-operative to whom they are issued;
- (c) they are to be issued only in respect of shares of the same class of shares that are fully paid up as at the date of issue of the bonus shares;
- (d) the total nominal value of the bonus shares issued by a co-operative during any 12 month period must not exceed 20% or such other percentage as may be prescribed of the nominal value of the issued share capital of the co-operative immediately before the date of the issue of the bonus shares.

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The Federation strongly recommends that each co-operative obtains its own professional advice to ensure that the specific circumstance of the co-operative are taken into account.

INFORMATION



Co-operative Federation of Victoria Ltd

Notice in respect of bonus shares (s.158)

Notice of the meeting or postal ballot at which a resolution is to be proposed as a special resolution for the purpose of approving a bonus share issue must be accompanied by-

- (a) a statement of the value of assets concerned as disclosed in the books of the co-operative before the sale or revaluation; and
- (b) if the issue arises from, or partly from, a sale of assets, a statement of the price for which the assets were sold; and
- (c) if the issue arises from, or partly from, a revaluation of assets, a certificate of value of the assets, being a certificate furnished in respect of a valuation made not more than 12 months before the date of notice by a prescribed person or a person having prescribed qualifications; and
- (d) particulars of acquisitions of shares in the co-operative made during the 3 years immediately preceding the date of notice by or on behalf of each of the directors and his or her spouse and the father, mother, children, brothers and sisters of each director and spouse; and
- (e) a certificate signed by 2 directors of the co-operative stating that to the best of their knowledge and belief the issue of bonus shares would not be imprudent and that no circumstances are known to them as to why the issue should not take place.

Distribution of surplus or reserves to members (s.273)

The rules of a trading co-operative may authorise the co-operative to apply a part of the surplus arising in any year from the business of the co-operative or part of the reserves of the co-operative by-

- (a) distribution to members as a rebate on the basis of business done with the co-operative; or
- (b) the issue of bonus shares to the members; or
- (c) the issue to members of a limited dividend.

The amount of any rebate or dividend payable to a member under (c) may, with the consent of the member, be applied -

- (a) in payment for the issue to the member of bonus shares; or
- (b) as a loan to the co-operative. ☐